GOVERNMENT OF INDIA
MINES AND MINERALS
LOK SABHA

UNSTARRED QUESTION NO:153
ANSWERED ON:24.07.2000
ROYALTY ON DIAMOND
LAXMINARAYAN PANDEY

Will the Minister of MINES AND MINERALS be pleased to state:

(a) whether the Government have reduced the royalty on diamond from 20 percent to 10 percent;

(b) if so, the reasons therefor;

(c) whether Madhya Pradesh has requested the Union Government to increase the rate of Royalty; and

(d) if so, the reaction of the Union Government thereto?

Answer

THE MINISTER OF YOUTH AFFAIRS AND SPORTS & MINES (SHRI SUKHDEV SINGH DHINDSA)

(a) to (d): The rate of royalty on diamond was reduced from 20 percent of the sale price at the pit`s mouth value to 10 percent of sale price on ad- valorem basis vide Government Gazette Notification GSR No.214(E) dated 11.4.97, copy of which had been laid on the Table of the House on 8.5.97. This was based on the recommendations of the Study Group constituted by the Government of India in 1995 for revision of royalty on major minerals(other than Coal & Lignite).

The Study Group constituted in 1995 had detailed consultation with the State Governments including the Government of Madhya Pradesh before finalising its recommendations. Based on the recommendations of the Study Group, the Governmentdecided to reduce the royalty rate on diamond keeping in view the facts that

(i) the royalty rates of diamond in many of the major diamond producing countries are 10% or less;

(ii) diamond being the second largest mineral imported in value terms, there is urgent need to locate new diamond resources in the country;

(iii) potential resources of diamond in India are grossly under-explored on account of inadequacy of capital; and
(iv) suitable high technology input and lowering of the rate of royalty is expected to encourage larger capital investment and induction of state-of-art technology.

The Government of Madhya Pradesh has been requestingthe Central Government to increase the rate of royalty on diamonds but the Central Government have not found it feasible to accede to their request.